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CANADIAN SOUTH AFRICAN GOLD FUND LIMITED • ANNUAL REPORT, MARCH 31, 1972

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Board of Directors

S. F. Chapman, C.A.	Senior Vice-President—Finance, Thomson Newspapers Limited
F. M. de Weerd	Vice-President, McEwen Securities Limited
J. C. Gray	Executive Vice-President, St. Lawrence Starch Co. Ltd.
A. D. McEwen,	President, McEwen Securities Limited
J. D. Norris	President, Wilder Norris Limited
F. V. Reddy	President, Dover Corporation (Canada) Limited
J. A. Tory, Q.C.	Partner, Messrs. Tory, Tory, DesLauriers & Binnington

Officers

A. D. McEwen,	President
S. F. Chapman, C.A.	Vice-President
F. M. de Weerd	Vice-President & General Manager
J. C. Gray	Treasurer
J. A. Tory, Q.C.	Secretary

Advisory Board

A. A. Cameron, D.S.O., M.C., T.D.	Partner, Geo. Henderson & Co. Member, The Stock Exchange, London
Eric Freemantle	Partner, Max Pollak & Freemantle Member, The Johannesburg Stock Exchange
H. A. Hare	Partner, Davis, Borkum, Hare & Partners Member, The Johannesburg Stock Exchange
Remy Lebel	Partner, Lebel, Laborne, Wolff & Cie, Member, The Paris Stock Exchange
J. R. Martin Smith, M.C.	Partner, Rowe & Pitman, Member, The Stock Exchange, London
K. M. Thornton	Partner, Joseph Sebag & Co., Member, The Stock Exchange, London
R. W. Williams, D.F.C.	Partner, Williams de Broe, Hill Chaplin & Co., Member, The Stock Exchange, London

President's Report to the Shareholders

During the past year, net assets of the Gold Fund showed a decrease from \$1,082,048 to \$1,030,800. However, net asset value per share rose from \$5.52 at March 31, 1970 to \$5.65 at March 31, 1971.

The modest change of just over 2 per cent in net asset value per share from one year end to another does not illustrate fully the wide fluctuations that have taken place in the past 12 months. From a value of \$5.52 at March 31, 1971 the net asset value declined to a low of \$3.82 in late October and subsequently rose to a March 31, 1972 value of \$5.65, and at the time of writing is at all time high of \$7.17.

* * *

For the better part of 1971, the principal factor affecting the price of bullion, and indirectly, the price of gold shares, was the continuing strong industrial demand for gold. In spite of the substantial increases of foreign central bank holdings of U.S. dollars from just over \$44.5 billion at the end of 1970 to something in excess of \$68.9 billion by the third quarter of 1971, gold bullion remained virtually unchanged selling in the \$40 to \$44 per ounce range. Several countries resorted to floating exchange rates and exchange controls to stem the inflow of the U.S. dollars. Not until mid-August, when President Nixon imposed a surtax on imports and suspended the convertibility of the dollar into gold, did monetary influences exercise any pressure on the price of gold bullion.

Concern surrounding the future role of gold as a monetary reserve caused little change in the price of bullion, but caused shares to sink to the lowest level in several years. This was reflected in the net asset value of the Gold Fund which slipped to an all time low of \$3.82 in late October. With the price of bullion holding above \$40 and South African gold mines reporting record profits, a gradual improvement took place in the level of gold shares. However, not until late December did the economic picture clarify. The agreement then reached in Washington caused upward revaluation of several currencies and devaluation of others — including the U.S. dollar. The United States also agreed to remove the import surcharges. The official price of gold was to be raised to \$38 by the United States and the dollar remained inconvertible into gold. (In 1933 the United States resorted to inconvertibility

of the dollar into gold. It was approximately one year later that they again made the dollar convertible after a 70 per cent devaluation).

Continuing strong industrial demand for gold and possible reduction in the supply to the free markets brought about by reduced Russian and South African sales, and more recently, speculation about a further increase in the monetary price of gold, has forced the free market price of bullion to over \$60. Gold Mining companies, reflecting prices received for bullion of less than \$47, are showing record earnings. With continued high prices of bullion, a further substantial improvement in earnings may be expected.

At this juncture, little can be added to the monetary aspects of gold. The majority of countries, including the United States, continue to hold gold in preference to paper currencies. The widening spread between the free market price of gold and the official price will continue to cause uneasiness on the part of holders of currency, particularly those holding U.S. dollars. Indeed, it may be stated that mankind continues to regard gold as perhaps the best store of value.

The Directors of the Gold Fund have been studying the implications of the new Income Tax regulations and its effects upon the Fund and its shareholders. At the moment it would appear to be most advantageous to our shareholders to pay a dividend based on income and/or capital gain during the first quarter of 1973, and accordingly the Directors have deferred any action on dividends for the time being.

Continuing demand for gold bullion for industrial and speculative purposes indicates a high level of earnings for gold mines throughout the world. The Gold Fund provides a diversified portfolio of gold investments and should continue to offer investors an excellent vehicle for investing therein. The outlook continues to be excellent.

A. D. McEwen,
President

Canadian South African Gold Fund Limited

Statement of Assets and Liabilities, March 31, 1972

	March 31	
	1972	1971
Assets		
Investments at market value:		
Gold bullion (average cost \$117,570)	\$ —	\$ 117,570
Securities (average cost 1972 — \$1,005,423, 1971 — \$1,038,721)	988,163	954,536
	<u>988,163</u>	<u>1,072,106</u>
Cash and time deposits	108,000	59,140
Receivable for Mutual Fund share subscriptions	—	16,862
Receivable for securities sold	31,707	57,430
Dividends and accrued interest receivable	533	4,903
Refundable tax (Note 2)	4,950	—
	<u>1,133,353</u>	<u>1,210,441</u>
Liabilities		
Payable for securities purchased	93,891	125,591
Payable for Mutual Fund share redemptions	3,456	—
Other accounts payable	256	2,801
Income taxes payable	4,734	—
	<u>102,337</u>	<u>128,392</u>
Net assets at market value (Note 2)	<u>\$1,031,016</u>	<u>\$1,082,049</u>
Shareholders' Equity		
Capital stock (Note 3 and 4):		
Mutual Fund shares of a par value of 50c each—		
Authorized—10,000,000 shares of which		
152,138 have been issued and		
subsequently redeemed		
Outstanding—182,312 (1971—195,928)	\$ 91,156	\$ 97,964
Common shares of a par value of 50c each—		
Authorized—1,000 shares		
Issued and fully paid—20 shares	10	10
	<u>91,166</u>	<u>97,974</u>
Paid-in surplus	979,216	1,042,948
Retained earnings	1,908	5,488
Realized gain (loss) on investments	(24,014)	19,824
Unrealized depreciation of investments	(17,260)	(84,185)
	<u>\$1,031,016</u>	<u>\$1,082,049</u>
<i>Approved on behalf of the Board:</i>		
JOHN C. GRAY, Director		
A. DONALD McEWEN, Director		

Statement of Investments March 31, 1972

	Number of Shares		Average cost	Market value
SOUTH AFRICAN COMPANIES				
14,000	Buffelsfontein Gold Mining Limited	\$ 118,208	\$ 76,660	
40,000	Elsburg Gold Mining Company Limited	55,736	79,529	
15,000	Hartebeestfontein Gold Mining Company Limited	79,221	95,826	
40,000	Kinross Mines Limited	115,924	114,730	
25,000	Southvaal Holdings Limited	84,843	78,225	
20,000	Union Corporation Limited	117,598	117,598	
3,000	West Driefontein Gold Mining Company Limited	63,716	69,229	
5,000	West Rand Investment Trust Limited	96,891	90,611	
20,000	Western Areas Gold Mining Co. Ltd.	56,175	55,279	
10,000	Winkelhaak Mines Limited	53,130	54,236	
	Total South African companies	841,442	831,923	
CANADIAN COMPANIES				
1,100	Dome Mines Limited	68,936	73,700	
7,000	Newconex Holdings Limited	47,892	36,540	
20,000	Pamour Porcupine Mines, Limited	47,153	46,000	
	Total Canadian companies	163,981	156,240	
	Total investments	\$1,005,423	\$ 988,163	

Statement of Income and Expenses

	Year ended March 31	
	1972	1971
Income from investments:		
Dividends	\$ 22,777	\$ 32,282
Interest (net)	5,228	1,924
	<u>28,005</u>	<u>34,206</u>
Expenses:		
Management fees	18,969	19,854
Withholding, capital and income taxes	2,939	4,674
	<u>21,908</u>	<u>24,528</u>
Net income for the year	<u>\$ 6,097</u>	<u>\$ 9,678</u>

Statement of Paid-in Surplus

	Year ended March 31	
	1972	1971
Balance at beginning of year	\$1,042,948	\$1,143,263
Add: Portion of proceeds on issue of Mutual Fund shares during the year	40,590	88,197
	<u>1,083,538</u>	<u>1,231,460</u>
Deduct: Portion of amount paid or credited to shareholders on Mutual Fund shares redeemed during the year	104,322	188,512
Balance at end of year	<u>\$ 979,216</u>	<u>\$1,042,948</u>

Statement of Changes in Net Assets

	Year ended March 31		March 8, 1967 to March 31, 1970	Aggregate since incorporation
	1972	1971		
Sales of shares (Note 3):				
Mutual Fund	\$ 45,169	\$ 97,618	\$1,660,786	\$1,803,573
Common	—	—	100	100
	<u>45,169</u>	<u>97,618</u>		
Retained income:				
Net income	6,097	9,678	16,753	
Less: Dividends paid or payable	(9,677)	(10,139)	(10,804)	
	<u>(3,580)</u>	<u>(461)</u>	<u>5,949</u>	<u>1,908</u>
Appreciation (depreciation) of investments:				
Realized (Note 5)	(43,838)	22,600	(2,776)	(24,014)
Unrealized	66,925	87,102	(171,287)	(17,260)
	<u>23,087</u>	<u>109,702</u>	<u>(174,063)</u>	
Redemption of Mutual Fund shares (Note 4)	<u>(115,709)</u>	<u>(209,950)</u>	<u>(407,632)</u>	<u>(733,291)</u>
Increase (decrease) in net assets	(51,033)	(3,091)	1,085,140	1,031,016
Net assets at beginning of period	<u>1,082,049</u>	<u>1,085,140</u>	<u>—</u>	<u>—</u>
Net assets at end of period	<u>\$1,031,016</u>	<u>\$1,082,049</u>	<u>\$1,085,140</u>	<u>\$1,031,016</u>
Net asset value per share at end of year (Note 2)	<u>\$5.65</u>	<u>\$5.52</u>		
Dividends per share	<u>\$.05</u>	<u>\$.05</u>		

Notes to Financial Statements, March 31, 1972

1. The Fund was created under the Canada Corporations Act by letters patent dated March 8, 1967 and supplementary letters patent dated February 14, 1968.

2. Income tax:

Under the provisions of the Income Tax Act (1972) a public corporation is generally a resident corporation which has a class of shares listed on a prescribed Canadian Stock Exchange or which has elected or been designated by the Minister of National Revenue to be a public corporation, having complied with certain prescribed conditions. All resident corporations other than public corporations and subsidiaries of public corporations are private corporations.

In general, under the Income Tax Act (1972) a corporation is a mutual fund corporation at any time in a taxation year if at that time:

- (a) it was a Canadian corporation that was a public corporation,
- (b) its only undertaking was the investing of funds of the corporation, and
- (c) it had 95% of the fair market value of all its outstanding shares of capital stock in redeemable form, in order that redemption might occur at the request of the shareholder.

Commencing January 1, 1972 a mutual fund corporation is subject to a special 33½% tax on dividends received from corporations resident in Canada and to tax at normal corporate rates on one half of its realized capital gains less one half its realized capital losses for the period. The special 33½% tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 for each \$3.00 of such dividends paid. The tax on net realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through the redemption of shares at the request of shareholders.

A corporation which makes an election to be a public corporation prior to August 1, 1972 is permitted by the Income Tax Application Rules 1971 to have its election take effect as early as the beginning of 1972. The Fund has filed such an election and has prepared its accounts on the basis that it will qualify as a public corporation and hence a mutual fund corporation for income tax purposes from January 1, 1972. On this basis the tax exigible on net capital gains to March 31, 1972 should be refundable when the capital gains are distributed to shareholders and such taxes have been included as an asset of the Fund under the caption "Refundable Tax".

Should the Fund's election to be a public corporation as at January 1, 1972 be rejected by the Minister of National Revenue, the Fund would be a private corporation and, as a result, a portion of the tax on net capital gains would be non-refundable and the Fund would accrue the non-refundable portion of taxes attributable to net unrealized capital gains. Such non-refundable taxes to March 31, 1972 would amount to approximately \$8,700 with the result that the net assets of the Fund would be reduced as at March 31, 1972 by that amount or approximately \$.05 per share.

3. The following Mutual Fund shares were issued during the years indicated:

	Year ended March 31	
	1972	1971
Number	9,158	18,842
Allocation of consideration—		
Share capital	\$ 4,579	\$ 9,421
Paid-in surplus	40,590	88,197
	<u>\$ 45,169</u>	<u>\$ 97,618</u>

4. The Mutual Fund shares are redeemable at the option of the holder in accordance with the provisions of the Fund's charter. The following Mutual Fund shares were redeemed during the years indicated:

	Year ended March 31	
	1972	1971
Number	22,774	42,876
Allocation of redemption costs —		
Share Capital	\$ 11,387	\$ 21,438
Paid-in surplus	104,322	188,512
	<u>\$ 115,709</u>	<u>\$ 209,950</u>

5. The following are the details of the realized gain (loss) on investments sold during the years indicated:

	Year ended March 31	
	1972	1971
Proceeds on sale of investments	\$1,250,760	\$1,178,168
Cost of investments at beginning of year	1,156,291	1,231,155
Cost of investments purchased during the year	1,143,730	1,080,704
	<u>2,300,021</u>	<u>2,311,859</u>
Cost of investments at end of year	1,005,423	1,156,291
Cost of investments sold during the year	1,294,598	1,155,568
Realized gain (loss) on investments	<u>\$ (43,838)</u>	<u>\$ 22,600</u>

6. The cost of investments purchased in foreign currencies has been translated to Canadian dollars at the rate of exchange prevailing at the time of payment. The market value of investments quoted in foreign currencies has been translated to Canadian dollars at the rate of exchange prevailing at the year end.
7. Net income per share for the year ended March 31, 1972 was 3.2 cents (1971—4.7 cents) based on the average number of shares outstanding during the year.
8. The Fund has seven directors who received no remuneration as directors. The five officers of the Fund, all of whom are directors, received no remuneration as officers.

Auditors' Report

To the Shareholders of Canadian South African Gold Fund Limited:

We have examined the statement of assets and liabilities and the statement of investments of Canadian South African Gold Fund Limited as at March 31, 1972 and the statements of income and expenses, paid-in surplus and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, including confirmation, by correspondence with the depositaries, of the cash and securities owned at March 31, 1972.

In our opinion these financial statements present fairly the financial position of the Fund as at March 31, 1972 and the results of its operations and the changes in its net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
June 9, 1972

Price Waterhouse & Co.

Chartered Accountants

Statistical Summary

Year Ending March 31	Net Assets	Fund's Shares Outstanding	Per Share			
			Net Asset Value			Dividends
			March 31	High	Low	
1972	1,031,016	182,332	5.65	7.17	4.31	.05
1971	1,082,049	195,948	5.52	5.78	3.82	.05
1970	1,085,140	219,982	4.93	5.42	4.33	.05
1969	917,840	150,662	6.09	6.54	4.18	—
1968	213,065	40,020	5.32	6.07	5.00	—

Bankers

The Bank of Nova Scotia, Toronto
The Royal Bank of Canada, Toronto
Samuel Montagu & Co. Ltd., London
Union Bank of Switzerland, Zurich

Auditors

Price Waterhouse & Co.

Registrar and Transfer Agent

The Canada Trust Company,
110 Yonge St.,
Toronto 210

Fund Manager

CSA Management Limited
11 King Street West,
Toronto 107, Canada

